

Property Tax Levy Rate Freeze vs. Dollar Amount Freeze  
Adult Mental Health and Developmental Disabilities Service System Work Group  
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- ◆ In 1996, Senate File 69 froze the amount of property tax counties could raise for the newly created Fund 10 for Mental Health and Disability Services.
- ◆ Counties chose either FY95 or FY96 as their base year. The state phased in over two years property tax relief payments to replace half of the amount levied in the base year.

Why should we change?

- ◆ Any other property tax freeze has frozen the levy rate rather than the dollar amount.
- ◆ The State Legislature has had the only available source of funding to cover inflation, growth in utilization of services, and service improvements since 1998, but has not appropriated sufficient funds to do so.
- ◆ The state as a whole has not been able to capitalize on the increase in taxable valuation of properties that all but one county has experienced since 1998.
- ◆ An 11-year freeze does not allow for counties to adjust levies to accommodate changes made within individual counties, for example, starting new programs, serving new individuals, or changing service delivery to be more efficient.

What has been the effect of freezing property tax amounts?

- ◆ Overall, the maximum levy rates have declined and there is less variance among counties.

Measure	1998	2009
Lowest maximum levy rate	\$0.42	\$0.24
Highest maximum levy rate	\$3.45	\$2.76
Average	\$1.53	\$1.20
Median	\$1.46	\$1.12
70 <sup>th</sup> percentile	\$1.76	\$1.38
80 <sup>th</sup> percentile	\$2.04	\$1.52
Standard Deviation	\$0.58	\$0.47

- ◆ If the levy rate had been frozen, counties could have potentially raised an additional \$50,278,526 in 2009 alone. This is 6% of all property taxes levied by counties and 1% of all property taxes raised by all authorities (school districts, cities, townships, etc.) that year.
- ◆ The number of counties levying the maximum amount allowable was 73 in FY08 and 80 in FY09. Sixty-nine counties levied the maximum in both years.

What are some options?

- ◆ Allow a temporary supplemental levy authority for Fund 10, up to a maximum rate to be determined, while a longer term solution is worked out
- ◆ Establish a smaller range of allowable levy rates to establish more equity across the state. Use all state appropriations to provide additional funding in a balanced and equitable approach based on the services provided and the individuals served. Include incentives for implementing evidence-based practices and for carrying out state level core values in a manner that works best for each local community.